

## Rating Rationale

Sri Ramalingeswara Rice & Oil Mills (SRROM)

17<sup>th</sup> July 2017

Brickwork Ratings reaffirms 'BWR BB-/A4' for the bank loan facilities of Rs 23.08 Crs of Sri Ramalingeswara Rice & Oil Mills ('SRROM' or the 'Firm')

### Particulars:

Facilities	Amount (Rs Crs)		Tenure	Rating*	
	Previous	Present		Previous	Present
<b>Fund based:</b> Cash Credit (Hyp) EPC (Sub limit)	17.00 (7.00)	17.00 (10.00)	Long term	BWR BB- [Pronounced BWR Double B Minus] (Outlook: Stable)	<b>BWR BB- [Pronounced BWR Double B Minus] (Outlook: Stable) Reaffirmed</b>
<b>Non Fund based:</b> Forward Contract Bank Guarantee	1.08 5.00	1.08 5.00	Short term	BWR A4 [Pronounced BWR A Four]	<b>BWR A4 [Pronounced BWR A Four] Reaffirmed</b>
<b>Total</b>	<b>23.08</b>	<b>23.08</b>	<b>INR Twenty Three Crores and Eight Lakhs Only</b>		

#Annexure I shows details of bank loan facilities

<sup>1</sup>For definitions of the rating symbol please visit our website [www.brickworkratings.com](http://www.brickworkratings.com)

### Ratings Reaffirmed

#### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financials upto FY16, provisional financials for FY17, publicly available information and information / clarifications provided by the Firm's management.

The rating reaffirmation continues to factor the experienced management, established track record of the AP based Sri Rama Group's business operations, locational advantages with proximity to the raw material sources and established relationships with diversified buyers and suppliers. The ratings, however, continue to be constrained by the low profitability, high gearing levels & weak debt protection metrics, regulated nature of the rice milling industry with intense competition and high working capital requirements of the business.

Going forward, the ability of the Firm to increase the scale of operations profitably, improve its credit profile and manage its working capital efficiently would be the key rating sensitivities.

### **Rating Outlook: Stable**

BWR believes **Sri Ramalingeswara Rice & Oil Mills's** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

### **About the Firm**

Established in 1950 at Velpur, Andhra Pradesh, Sri Ramalingeswara Rice & Oil Mills (SRROM) is a partnership firm promoted by Mr Pattabhi Chowdary. The Firm is engaged in milling, trading & exports of raw and boiled rice. The products are Head Rice, Broken Rice and discolored Rice. The firm's popular brands "Lohitha" and "Rose" in Kerala and Andhra Pradesh. The firm's rice milling/processing unit (installed capacity of 20 MT per hour) is located at Velpur in West Godavari district of Andhra Pradesh (A.P.). Exports contributed almost 75% to total sales followed by domestic sales (25%).

A.P. based Sri Rama Group of Companies comprises three main entities- Pattabhi Agro Foods Pvt Ltd [Engaged in trading & processing of rice and agri products in both domestic and exports market; rated BWR BBB (Outlook: Stable)/ BWR A3+], Sri Ramalingeswara Rice & Oil Mills and Sirius Overseas Pvt Ltd [engaged in the business of milling, processing & extraction and sale of paddy]. The Group has a significant presence in A.P. & other Southern states. At Consolidated Group level, revenues stood at ~ Rs 1514 Crs.

The firm has three partners; Mr Banda Ramchandra Rao – Managing Partner, Mr Banda Venkata Krishna Rao-Partner and Mr B.V.V.S.K Govind - Partner.

### **Financial Performance**

Net sales declined to Rs 163.01 Crs in FY16 when compared to Rs 211.82 Crs in FY15 mainly due to focus on domestic sales & custom milling activity as compared to low margin, high volume exports. Profit after tax was almost flat at Rs 0.60 Crs in FY16 when compared to Rs 0.65 Crs in FY15. Partner's capital stood at Rs 11.32 Crs as on March 31, 2017 (Provisional). Total debt was Rs 14.52 Crs as of March 31, 2017. Total Debt/TNW improved to 1.22 times as on March 31, 2017 as against 2.04 times as on March 31, 2016.

On a provisional basis, the Firm has achieved net sales of around Rs 172 Crs for FY17.

**Status of non-cooperation with other CRA:** CARE Ratings had suspended the rating of CARE B+ (Stable)/ CARE A4 assigned to the Firm's bank loan facilities, vide press release dated 26<sup>th</sup> Feb 2016, stating that the Firm has not provided information for carrying out review of ratings.

**Rating History for the last three years:**

Sl. No.	Instrument/ Facility	Current Rating (2017)			Rating History		
		Type (Long Term/Short Term)	Amount (Rs Crs)	Rating	2016*  14 <sup>th</sup> April 2016	2015	2014
1	Fund based Limits	Long term	17.00	BWR BB- Outlook: Stable  Reaffirmed	BWR BB- (Outlook: Stable)  Assigned	-	-
2	Non Fund based Limits	Short term	6.08	BWR A4  Reaffirmed	BWR A4  Assigned		

\* Amount rated: Rs 23.08 Crs

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [Short Term Debt](#)

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**Sri Ramalingeswara Rice & Oil Mills (SRROM)**

**Annexure I: Details of the Bank Loan facilities rated**

<b>Limits</b>	<b>Bank Name</b>	<b>Limits Rated (Rs Crs)</b>
<b>Fund based:</b> Cash Credit (Hyp) EPC (Sub limit)	State Bank of India, Tanuku branch, West Godavari District	17.00 (10.00)
<b>Non Fund based:</b> Forward Contract Bank Guarantee		1.08 5.00
<b>Total</b>		<b>23.08</b>

**For print and digital media**

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**Note on complexity levels of the rated instrument:**

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

**About Brickwork Ratings**

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

**DISCLAIMER**

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